

**LAFAYETTE ASSOCIATION FOR
RETARDED CITIZENS, INC.
Lafayette, Louisiana**

**AUDIT REPORT
June 30, 2006**

**AULD & ASSOCIATES
Certified Public Accountants
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Lafayette, Louisiana 70506
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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-31-07

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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The Board of Directors
Lafayette Association for
Retarded Citizens, Inc.
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Lafayette Association for Retarded Citizens, Inc., (a nonprofit organization) as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

On May 1, 1979, buildings in existence were restated to appraisal values. In our opinion, assets should be stated at acquisition cost, or if donated, recorded at their fair value at the date of the gift, net of depreciation, to conform with generally accepted accounting principles. The effects of this practice on the financial statements are undetermined.

In our opinion, except for the effects of recording certain buildings at appraisal values, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly in all material respects the financial position of Lafayette Association for Retarded Citizens, Inc., as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Lafayette Association for Retarded Citizens, Inc., taken as a whole. The accompanying additional information contained in the schedule of activities by component is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

AULD & ASSOCIATES

A handwritten signature in cursive script, appearing to read "Auld & Assoc.", written in dark ink.

Certified Public Accountants

Lafayette, Louisiana
November 30, 2006

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
STATEMENT OF FINANCIAL POSITION
June 30, 2006

ASSETS

CURRENT ASSETS

Cash	\$1,278,006	
Accrued Interest Receivable	4,053	
Accounts Receivable (net of allowance for doubtful accounts of \$5,000)	308,154	
Contributions Receivable	11,000	
Due from Foundation for Retarded Citizens, Inc.	1,433	
Inventory	12,669	
Deposits	17,293	
Prepaid Insurance	<u>119,964</u>	
Total Current Assets		\$1,752,572

OTHER ASSETS

Certificates of Deposit	1,905,661
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COLLECTIONS (See Note 4)

PLANT ASSETS

Buildings	\$3,941,980	
Furniture and Fixtures	101,602	
Machinery and Equipment	525,548	
Transportation Equipment	514,930	
Land	<u>112,099</u>	
Totals	\$5,196,159	
Less: Accumulated Depreciation	<u>3,336,026</u>	
Total Plant Assets		<u>1,860,133</u>

TOTAL ASSETS

\$5,518,366

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 61,203	
Accrued Payroll and Payroll Taxes	34,073	
Deferred Revenue	<u>250</u>	
Total Current Liabilities		\$ 95,526

NET ASSETS

Unrestricted		
Operating	\$3,562,707	
Plant Assets	<u>1,860,133</u>	
Total Net Assets		<u>5,422,840</u>

TOTAL LIABILITIES AND NET ASSETS

\$5,518,366

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.

Lafayette, Louisiana

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

		<u>Unrestricted Net Assets</u>
REVENUE AND PUBLIC SUPPORT		
Revenue		
Program Revenues	\$4,026,959	
Interest and Dividend Income	95,936	
Membership Dues	1,656	
Other Revenue	4,446	
Gain on Sale of Assets	<u>701</u>	
Total Revenue		\$4,129,698
Public Support		
Contributions	\$ 111,030	
Special Events	<u>334,920</u>	
Total Public Support		<u>445,950</u>
TOTAL REVENUE AND PUBLIC SUPPORT		<u>\$4,575,648</u>
FUNCTIONAL EXPENSES		
Program Services		
Client Development	\$1,391,780	
Housing	1,498,952	
Respite	281,445	
Acadian Village	<u>348,435</u>	
Total Program Services		\$3,520,612
Supporting Services		
Management and General	\$ 459,633	
Fund-raising	<u>137,897</u>	
Total Supporting Services		<u>597,530</u>
TOTAL FUNCTIONAL EXPENSES		\$4,118,142
INCREASE IN NET ASSETS		\$ 457,506
NET ASSETS, BEGINNING OF YEAR		<u>4,965,334</u>
NET ASSETS, END OF YEAR		<u>\$5,422,840</u>

See accountants' report and accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2006

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTALS
	Client Development	Housing	Respite	Acadian Village	Total Program Services	Management & General	Fund-raising
Taxes & Licenses		187,845	1,400		189,245		
Postage	184	253	288	73	778	1,109	
Promotion & Advertising				2,322	2,322		
Dues & Subscriptions	50	645	180	315	1,180	1,658	
Performers & Concessions				96,854	96,854		
Interest Expense					0	2,314	
Equipment Lease	3,176	5,604	1,883		10,463	6,752	
Employee Incentives					0	8,951	
Bank Charges				1,010	1,010	441	
Christmas Program					0		94,759
Miscellaneous Expense	636	753	714	583	2,686	3,066	
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	\$1,299,197	\$1,449,237	\$274,708	\$332,296	\$3,355,438	\$434,871	\$132,200
Depreciation	92,583	40,715	8,737	16,139	165,174	24,762	5,697
TOTAL FUNCTIONAL EXPENSES	\$1,391,780	\$1,498,952	\$281,445	\$348,435	\$3,520,612	\$459,633	\$137,897
							\$4,118,142

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 457,506
Adjustments to Reconcile Increase in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	195,633
Gain on Sale of Assets	(701)
Non-Cash Contributions	(13,000)
(Increase) Decrease in Operating Assets	
Accrued Interest Receivable	(4,053)
Accounts Receivable	12,339
Due from Foundation for Retarded Citizens, Inc.	318
Inventory	1,953
Deposits	(17,293)
Prepaid Insurance	(118,720)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	19,416
Accrued Payroll and Payroll Taxes	<u>(10,033)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>523,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Assets	\$ 4,500
Redemption of Certificates of Deposit	500,000
Purchase of Certificates of Deposit	(804,155)
Payments for Property and Equipment	<u>(93,515)</u>
NET CASH USED BY INVESTING ACTIVITIES	\$ <u>(393,170)</u>
NET INCREASE IN CASH	\$ 130,195
CASH AT BEGINNING OF YEAR	<u>1,147,811</u>
CASH AT ENDING OF YEAR	<u>\$1,278,006</u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	\$ <u>2,314</u>
Non-Cash Investing and Financing Activities	
Property and Equipment acquired with non-cash contributions	<u>\$ 13,000</u>

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The Association administers programs for the benefit of retarded citizens in an eight-parish area of southern Louisiana. Funding of these programs is primarily from governmental sources. Also, the Association operates Acadian Village, a living museum visited by tourists and used by the community for public events. The Village primarily generates revenue by admission and gift shop sales. The Village employs the clients of the Association to maintain and operate the facility as a part of the work activity programs.

FINANCIAL STATEMENT PRESENTATION

The financial statements of the Association are prepared on the accrual basis of accounting. This means revenues are recognized when earned and expenses are recognized when incurred. Also, the financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

PLANT ASSETS

On May 1, 1979, buildings in existence were restated to appraisal values. These assets represent \$271,110 of total plant assets (net of \$1,207,871 in accumulated depreciation). All other plant assets are stated at cost or, if donated, at fair market value at date of receipt. The Association capitalizes all plant assets with a cost, or value if donated, in excess of \$500. Depreciation is calculated on a straight-line basis over estimated useful lives ranging from four to thirty years. Depreciation expense for assets valued at appraisal value is \$5,068 and for assets valued at historical cost is \$190,565. The Association has \$284,930 of buildings with historical value exempt from depreciation in accordance with SFAS No. 93.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, currency, demand deposits, and repurchase agreements are considered cash.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through an adjustment to earnings and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

USE OF ESTIMATES

Financial statements are prepared in conformity with generally accepted accounting principles. These principles require management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAX STATUS

The Association is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). It is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

FUNCTIONAL EXPENSE ALLOCATIONS

A summary of the costs of providing various program and supporting services is in the statement of functional expenses. Accordingly, certain costs are allocated between the programs and supporting services benefited.

CONTRIBUTED SERVICES

Many volunteers have donated significant amounts of time to the Association's special events. No amounts are recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

INVENTORY

Inventory of Acadian Village Store merchandise is valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

ADVERTISING COSTS

Advertising costs of \$2,322 were expensed as incurred.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of an amount due from United Way of Acadiana. This contribution is expected to be collected by December, 2006. Therefore, no allowance for uncollectible pledges has been recorded.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Association maintains cash in several accounts at a several local banks. Cash at these institutions exceeded federally insured limits. The amount in excess of federal insurance limits totaled \$1,155,844 at June 30, 2006. One financial institution has pledged \$1,045,302 of U. S. government agency securities as collateral to cover the excess.

Credit risk with respect to accounts receivable is limited because approximately 90% of the balances are receivable from governmental sources.

NOTE 4 - COLLECTIONS

The Association is the recipient of 17 original oil paintings by the internationally known artist George Rodrigue. No ownership restrictions are imposed on the Association. The Association presents the collection of paintings for public viewing in a separate and secure art gallery. Also included in the collection is a diorama depicting the ceremony claiming Louisiana for France, constructed by the artist Robert Dafford. The Association elects not to capitalize its collections.

NOTE 5 - CHANGE IN ACCOUNTING ESTIMATE

The useful lives of several depreciable assets were changed during the year ended June 30, 1998. The effect of these changes was to increase depreciation expense and thereby decrease net assets by \$898 for the current year.

NOTE 6 - LABOR UNION

Approximately sixty-six (66%) of employees are covered by a collective bargaining agreement with Local 100, Service Employees International Union of the AFL-CIO (the Union). The collective bargaining agreement expires October 31, 2007. In the Association's opinion, the collective bargaining agreement will have no material adverse effect on operations.

NOTE 7 - LITIGATION

The Association is not involved in any lawsuit. However, allegations have been made that the Association has violated various trademark-related rights. Nonetheless, no lawsuit has been filed. Legal counsel believes the allegations to be without merit.

NOTE 8 - RISKS AND UNCERTAINTIES

The State of Louisiana is the primary source of revenue for the Association. In the future, financial problems of the State of Louisiana may result in reduced funding. It is possible certain programs may be severely affected by these declining revenues. However, management believes changes can be incorporated into the continuing operations without a catastrophic result.

NOTE 9 - GIFTS OF FUTURE INTERESTS

Certain individuals have named the Association as a charitable beneficiary to their estate. In some cases, restrictions apply to the use of these future funds. However, the Association has no future guarantee to the use or access of these assets. The Association's right as a beneficiary, and the economic value, is subject to potential change.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Association maintains a qualified defined contribution profit sharing plan with a 401(k) deferred compensation provision. All employees who are at least 21 years of age and have completed one year of service including a minimum of 1,000 hours of service are eligible to participate in the plan. The plan provides for partial vesting of employer contributions after two years and full vesting after four years of service. Employee contributions are 100% vested. Employees may contribute up to 15% of their pretax income. The Association's contribution is discretionary and is determined annually by the Board of Directors. A discretionary contribution of \$21,040 was made for the year ended June 30, 2006.

NOTE 11 - LEASES

The Association leases four copiers and a mailing system under operating leases expiring between August, 2007, and June, 2010. In the normal course of business, operating leases are generally renewed or replaced by other leases. Total lease expense for the year ended June 30, 2006, is \$17,215.

Minimum future rental payments under noncancelable operating leases for each of the next five years and in the aggregate are:

Year Ending June 30, 2007	\$15,730
Year Ending June 30, 2008	6,587
Year Ending June 30, 2009	3,408
Year Ending June 30, 2010	1,956
Year Ending June 30, 2011	<u>-0-</u>
Total minimum future rental payments	<u>\$27,681</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

The Association received contributions totaling \$22,685 from the Foundation for Retarded Citizens, Inc. The Foundation was established to receive, invest, and distribute funds in furtherance of the purposes of LARC. The membership of the Foundation for Retarded Citizens is comprised of LARC's Board of Directors. The Foundation's Board of Directors includes LARC's Board President and Treasurer and three members of the community appointed by LARC's Board of Directors.

SCHEDULE OF ACTIVITIES BY COMPONENT

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
SCHEDULE OF ACTIVITIES BY COMPONENT
For the Year Ended June 30, 2006

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTALS
	Client Development	Housing	Respite	Acadian Village	Total Program Services	Management & General	Fund-raising
Fuel	46,727	9,655	423	360	57,165	2,403	59,568
Telephone	4,766	8,656	2,567	4,424	20,433	6,170	26,603
Travel	889	6,748	1,032	2,643	11,312	5,140	16,452
Conferences	400	1,783	331		2,514	245	2,759
Taxes & Licenses		167,845	1,400		169,245		169,245
Postage	184	253	266	73	776	1,109	1,887
Promotion & Advertising				2,322	2,322		2,322
Dues & Subscriptions	50	645	150	315	1,160	1,658	2,818
Performers & Concessions				96,854	96,854		96,854
Interest Expense					0	2,314	2,314
Equipment Lease	3,176	5,604	1,683		10,463	6,752	17,215
Employee Incentives					0	8,951	8,951
Bank Charges				1,010	1,010	441	1,451
Christmas Program					0		94,759
Miscellaneous Expense	636	753	714	583	2,686	3,066	5,752
Depreciation	92,583	49,715	6,737	16,139	165,174	24,762	195,633
TOTAL EXPENSES	\$1,391,780	\$1,498,952	\$281,445	\$348,435	\$3,520,612	\$ 468,533	\$137,897
INCREASE (DECREASE) IN NET ASSETS	\$ (1,137)	\$ 513,948	\$ 54,557	\$ 3,129	\$ 570,497	\$ (310,014)	\$ 437,506

See accountants' report and accompanying notes to financial statements.

AULD & ASSOCIATES

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Lafayette Association for
Retarded Citizens, Inc.
Lafayette, Louisiana

We have audited the financial statements of Lafayette Association for Retarded Citizens, Inc., (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon, dated November 30, 2006. In our report, our opinion was qualified because certain assets are recorded at appraisal value. Further explanation is in the third paragraph of our report on the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and Management of Lafayette Association for Retarded Citizens, Inc., applicable state and federal agencies, and the Louisiana Legislative Auditor. This report is not intended to be and should not be used by anyone other than these specified parties.

AULD & ASSOCIATES

A handwritten signature in cursive script, appearing to read "Auld & Assoc.", written in black ink.

Certified Public Accountants

Lafayette, Louisiana
November 30, 2006

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
SUMMARY OF PRIOR YEAR FINDINGS
AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2006

1979-1. Buildings are recorded at appraisal values.

CONDITION: Certain buildings were restated to appraisal values on May 1, 1979. Generally accepted accounting principles require assets to be stated at acquisition cost, or if donated, recorded at their fair value at the date of gift. This situation requires a qualification in the audit report.

RECOMMENDATION: This qualification should continue until the appraised assets are disposed.

CURRENT STATUS OR ACTION TAKEN: At this time, management has no plans to take corrective action. It is unreasonable to sell the appraised buildings as they are an essential part of the Association's operations.